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CURRENT INTELLIGENCE DIGEST

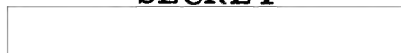
Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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SOVIET UNION

1. Soviet ruble suggested as basis for foreign trade of non-Orbit countries: A publication of the Soviet Ministry of Trade recently contained an article entitled "Currencies in Capitalist Countries and Currency Risks in Foreign Trade."

The article stated that the value of the dollar is being artificially maintained at a high level. In addition, the official rates of other western currencies were described as inflated.

In conclusion the article suggested that in deals between Soviet and capitalist foreign trade organizations, maximum protection against currency risks can best be secured by concluding currency agreements in terms of the non-fluctuating gold-backed ruble. [redacted]

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Comment: This may mark the first step toward a concerted Kremlin effort to make the ruble an acceptable medium of exchange in international trade. Even partial success of such a campaign would give the USSR a significant propaganda advantage abroad by discrediting sterling and the dollar, particularly in Asia, where trade relations with the Soviet Orbit are increasing.

2. Soviet Union intensifies negotiations for Norwegian herring: [redacted] the long dormant Soviet trade group in Norway is now negotiating for extremely heavy purchases of herring.

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[redacted] commented that when the USSR plans large troop movements, herring purchases throughout Scandinavia increase sharply. [redacted]

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Comment: The Soviet Union is now negotiating on a barter basis for 25,000 tons of herring, a 10,000-ton increase over the previous yearly agreement.

There is no evidence of any preparation for Soviet troop movements. Although the Soviet Union increased its forces in East Germany by 84,000 in 1951, there are no indications of additional troop movements into that area.

EASTERN EUROPE

3. Arrest of Belgrade University students for Cominformism reported: According to a United States official in Belgrade, 25 students in the Belgrade University School of Journalism and Diplomacy were reportedly arrested for Cominformist activities.

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Comment: The incidence of Stalinism in Yugoslav academic circles doubtless constitutes a serious barrier to the successful indoctrination of students by the Tito regime. The arrest of eight members of the editorial staff of the leading newspaper Borba last winter also attests to the existence of a number of "deviationists" in Yugoslav literary circles.

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FAR EAST

4. UN pilots see 500 jets on two Yalu River airfields: Four F-86 pilots reported on 13 April the sighting of 450 jets at Tatungkou and 50 at Antung, both airfields on the Korea-Manchuria border. The pilots were thoroughly interrogated and FEAF gives full credence to their account. Photographs taken five hours later showed only 81 aircraft at Tatungkou and 101 at Antung.

FEAF offers several possible reasons for this unusual concentration of aircraft: (1) bad weather which may have precluded use of other Manchurian airfields, (2) testing the facilities at Tatungkou for staging large numbers of aircraft, and (3) training pilots and maintenance personnel in necessary procedures and techniques under crowded conditions.

25X1 Comment: On 9 March UN pilot reports of enemy aircraft on the Yalu River airfield were invalidated by photographs taken at the time. However, conditions for observation may have been more favorable on 13 April. If accepted, the report of the pilots means that most of the estimated jet aircraft in Manchuria were parked on these two fields. Their normal complement is about 100 planes each.

5. Rumors of early attack on Hong Kong reported: Rumors are circulating in Hong Kong that the Chinese Communists will soon assault the colony. An important Kwangtung official reportedly stated on 10 April that Hong Kong would be "liberated soon."

Comment: Such rumors have been reported periodically for more than two years. There is no evidence that the Communists plan to attack Hong Kong in the near future.

6. Viet Minh division survives concentrated French assault: The Assistant US Army Attache in Hanoi reports that the Viet Minh 320th Division, which has been the target of a major clearing operation by the bulk of French mobile ground forces and aircraft in Tonkin over the past several weeks, is still in "fairly good condition." A new operation against this division is scheduled to start soon.

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Comment: As late as 13 April, American officials in Saigon were led to believe, on the basis of casualty figures supplied by the French Army, that "the 320th's capabilities as an entire unit have been reduced to practically zero for several months to come."

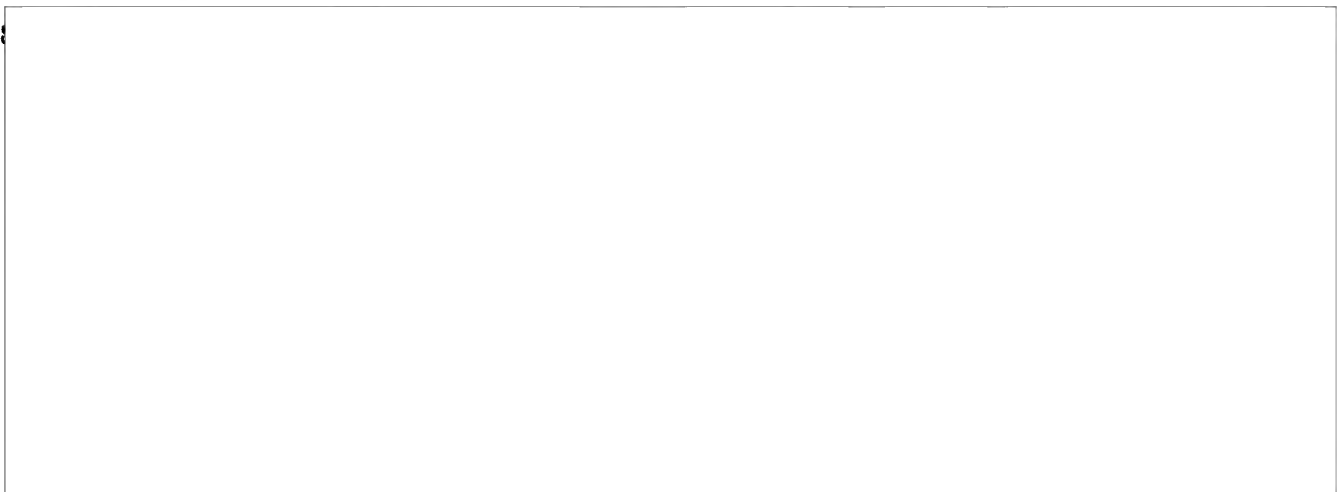
Reports from French sources on this campaign follow a previously noted pattern -- highly optimistic and misleading claims during the progress of an operation, followed by far more moderate estimates of the significance of the concluded operation.

7. Communist infiltration into Thailand reported: An officer of the American Embassy in Bangkok, recently returned from a trip to northeast Thailand, reports that according to officials in Chiengkham, a number of Thais and overseas Chinese returned from Communist indoctrination schools in China during the past year. A clandestine radio station was also said to be operating on the Indochina border.

The Embassy comments that the Chiengkham area is ideal for the unobtrusive entrance of Communist agents into Thailand, for extensive smuggling of supplies to the Viet Minh and for the establishment of an underground operations headquarters.

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Comment: Northeastern Thailand is an economically depressed area, long neglected by the government in Bangkok.



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9. Thai Government's control firmly established: The American Embassy in Bangkok reports that the "new" Thai Government is a one-party dictatorship. It has only to maintain internal unity in order to keep "a vice-like" grip on the legislature, which can be forced to rubber-stamp any government proposal.
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WESTERN EUROPE

- 25X1 10. Communist strength in West Germany declined in 1951:
[redacted] the West German Communist Party lost members in 1951, despite a number of membership drives. The party's campaign to augment Communist influence in industry was also ineffective, since its representation in trade union works councils decreased in many factories. The unions' expulsion of those Communist functionaries who refused to sign loyalty pledges was ascribed as a major factor in this decrease.

In general, Communist strength has ebbed so far that it is doubtful that any significant number of members could be counted upon for underground activity should the party be banned by the Constitutional Court.

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Comment: At the end of 1951, the party had 127,000 members -- roughly 12 percent fewer than in 1950. Now, however, the party seems to be on the upswing. This is partly substantiated by the results of the 9 March election in the area of Wuerttemberg-Baden where the party showed gains over the last election. Furthermore, Social Democratic leaders have expressed concern over recent Communist inroads into their party.

While the Communist Party has suffered some losses in the works councils elections, such losses may be counterbalanced by the increase of "non-party" representatives in the councils. Many of these are believed to be disguised Communists.

11. Austrian Trade Minister hints at currency devaluation: The Austrian Minister of Trade announced in a recent Salzburg speech that the existing exchange rates would be consolidated at approximately 26 schillings to the dollar, but that this consolidation would be delayed for several months in anticipation of greater internal financial stability. The Minister stated that he hoped declines in world prices would cushion the effects of this "depreciation." While there have been no political repercussions as yet, Austrian National Bank officials regard the Minister's announcement as "unfortunate."
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Comment: Since most foreign trade transactions are accounted for at the rate of 21 schillings to the dollar, consolidation

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dation at the special rate would amount to a considerable devaluation. While the schilling has strengthened in recent months, Austria's export difficulties and internal inflation have suggested for some time the possibility of a further devaluation. Such a move, however, is likely to provoke Socialist opposition.

12. Soviet authorities invite Austrian arrest of Communist demonstrators: Prior to the celebration on 10 April of the seventh anniversary of the liberation of Vienna by the Red Army, the Soviet commander of the Fourth District of Vienna warned the Austrian district police of the possibility of Communist demonstrations before the Greek Legation or against the French Embassy. He ordered added protection for the missions, stated that no violence would be tolerated, and directed that violators be arrested. [REDACTED]

25X1 Comment: Since Soviet-supported demonstrations against the Greek Legation are now under inter-Allied investigation in Vienna, the Soviet authorities probably desire to avoid further incidents. The Soviet move to alert the Austrian police illustrated the anomalous relationship between the Soviet occupation and the Austrian Communist Party. Unwilling to curb and discourage the Communists overtly, the Soviet Headquarters is apparently nevertheless concerned lest Austrian Communist activities embarrass Soviet occupation policy in general.

13. Italian Government moves to prosecute top Communist labor leader: Italian authorities have formally accused Giuseppe DiVittorio, Secretary-General of the Communist-controlled General Confederation of Labor, of having "deliberately defamed and vilified the Italian nation from abroad." The charge was in connection with an article written by DiVittorio and published in Pravda on 7 March. This legal action followed a complaint by 70 parliamentary deputies of the democratic parties against DiVittorio's article.

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Comment: Luigi Longo, Pietro Secchia, and many other top Italian Communists have broadcast speeches from Prague on the regular Italian-language program. There is evidence of increasing popular resentment in Italy against those who use the foreign press and radio to attack the government.

Because of the possibility that serious labor agitation might result if DiVittorio were actually to be convicted, the government may consider dropping the charges.

14. Italian Communists emphasize trade aspects of Moscow Economic Conference: The Italian Communists, besides asserting that the Moscow Economic Conference offered a potential solution to the East-West conflict, have been stressing the undesirable results of Italy's failure to get a full share of the business that will develop. The non-Communist press is waging an energetic counter-campaign to bring Moscow's propaganda into perspective with regard to basic trade problems. [redacted]

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Comment: According to a recent Rome radio broadcast, the Italian delegation to the World Economic Conference consisted of only 23 Communists and fellow travelers, and no noteworthy industrial or political figure went to Moscow. The American Embassy in Rome, however, had reported that at least two businessmen and a Christian Democratic Senator had planned to attend the conference.

15. Italian Foreign Ministry sponsors Italo-Arabian Center in Rome: In line with his belief that Italian foreign policy should be "more positive" in the Arab world, Foreign Affairs Undersecretary Taviani was largely responsible for the formation of the Italo-Arabian Center, which was officially inaugurated in Rome on 3 April. The Center, which will function under the auspices of the widely respected Istituto per l'Oriente, is to be headed by Enrico Insabato, a physician who practiced in Egypt before the war. [redacted]

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Comment: Although deprived of its prewar colonies, Italy has not given up hope of reasserting its influence in the Arab-African world.

The Vatican also has shown interest in the strengthening of Italo-Arab cultural ties. The Vatican's general Middle Eastern policy reportedly favors the increasing of Italian

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influence in Libya and Egypt and the general strengthening of a religious conception of life in the Arab world as a bulwark against Communism.

16. Communist elected leader of Oslo stevedores: In a recent trade union election a Communist was selected to head the Oslo stevedores' local, replacing a right-wing labor leader. [REDACTED]

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Comment: Among the stevedores in Norway, as elsewhere in Scandinavia, the Communists still command considerable residual strength. The victory of the Communist candidate represents no significant increase in the general popularity of Communism; but probably only the momentary adherence of a small number of radical workers who, pressed by rising prices, desire a more dynamic wage policy than that advocated by the moderate trade union officials.

LATIN AMERICA

17. American Embassy predicts copper strike in Chile: [REDACTED]

The US Embassy comments that "the uncompromising position of management when coupled with the equally uncompromising position of copper labor" makes an industry-wide copper strike inevitable, unless the Chilean Government pulls "a rabbit out of a hat in the form of a new type of copper exchange decree." This appears unlikely, since a similar decree was declared unconstitutional last year. [REDACTED]

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Comment: The president of the Chilean Copper Workers Confederation earlier this month regarded a copper strike at the Anaconda and Braden mines as inevitable. Anaconda's Chuquicamata and Potrerillos mines produced about 160,000 and 40,000 metric tons respectively in 1951.

18. Colombian guerrillas intensify activities: At a meeting in Bogota on 13 March guerrilla representatives from Antioquia,

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Tolima, Huila, Bolivar, the Llanos and other sections reportedly agreed that their campaign should be intensified and extended to other parts of Colombia.

The 5 April attack on the governor of Tolima, which was followed by severe reprisals, climaxed increased activity there. In the important department of Antioquia the situation has grown worse in recent weeks. Medellin, Colombia's second city, is now reported almost surrounded by revolutionary bands. [REDACTED]

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Comment: The recent increase in banditry along with army disaffection over the government's inability to preserve order was the apparent reason for President-designate Urdaneta's announcement of his desire for an understanding with leaders of other political parties. He held a seven-hour conference on 7 April with Gilberto Alzate Avendano, head of the opposing Conservative group.

In Antioquia Conservative and Liberal leaders have joined in a campaign to end violence; and a meeting of Liberal and Conservative Parties has been called in Bogota with the same end in view there.

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SOUTH ASIA

1. Future of Kashmir negotiations still undecided: The Pakistani Government has informed United Nations Representative Graham that it desires to see his full report on the Kashmir situation before committing itself to continuing negotiations. The government also desires clarification of the part to be played in the negotiations by Admiral Nimitz, plebiscite administrator-designate.

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Comment: The Pakistani Government can do little to influence decisions in its favor except to display belligerency or hesitancy from time to time. It cannot long refuse to participate in further discussions without endangering its prestige and security, and it may be expected to acquiesce in the relatively near future.

The Indian Government is not likely to reverse its earlier agreement to the resumption of talks. It has left itself an avenue of escape, however, by raising the possibility of delaying the eventual plebiscite by refusing to appoint Admiral Nimitz as plebiscite administrator on the grounds that his impartiality would be open to question.

NEAR EAST - AFRICA

2. Shah still unwilling to remove Prime Minister Mossadeq: Removal of the Mossadeq government, the Shah told the American Ambassador on 13 April, might come about by its own resignation, by Majlis action, or by intervention of the Crown. He added, however, that the time was not yet ripe for the Crown to act.

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The Shah said that the present government's popularity was decreasing while his was increasing, and predicted that Mossadeq would retire when his government was thoroughly discredited. He hoped that it would be replaced by one more friendly toward the West and that the United States would then assist Iran.

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Comment: This confirms previous indications that the Shah does not intend to act against Mossadeq until he is certain his action will be successful. Mossadeq has been meeting with the newly-elected Majlis deputies to explain his economic and financial program and learn their reactions. In contrast, the Shah recently refused to advise a group of deputies who called for instructions.

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